



NCDOR Collection Update

NCDOR Collection Division

Legislative Update and
2014 Proposed Initiatives

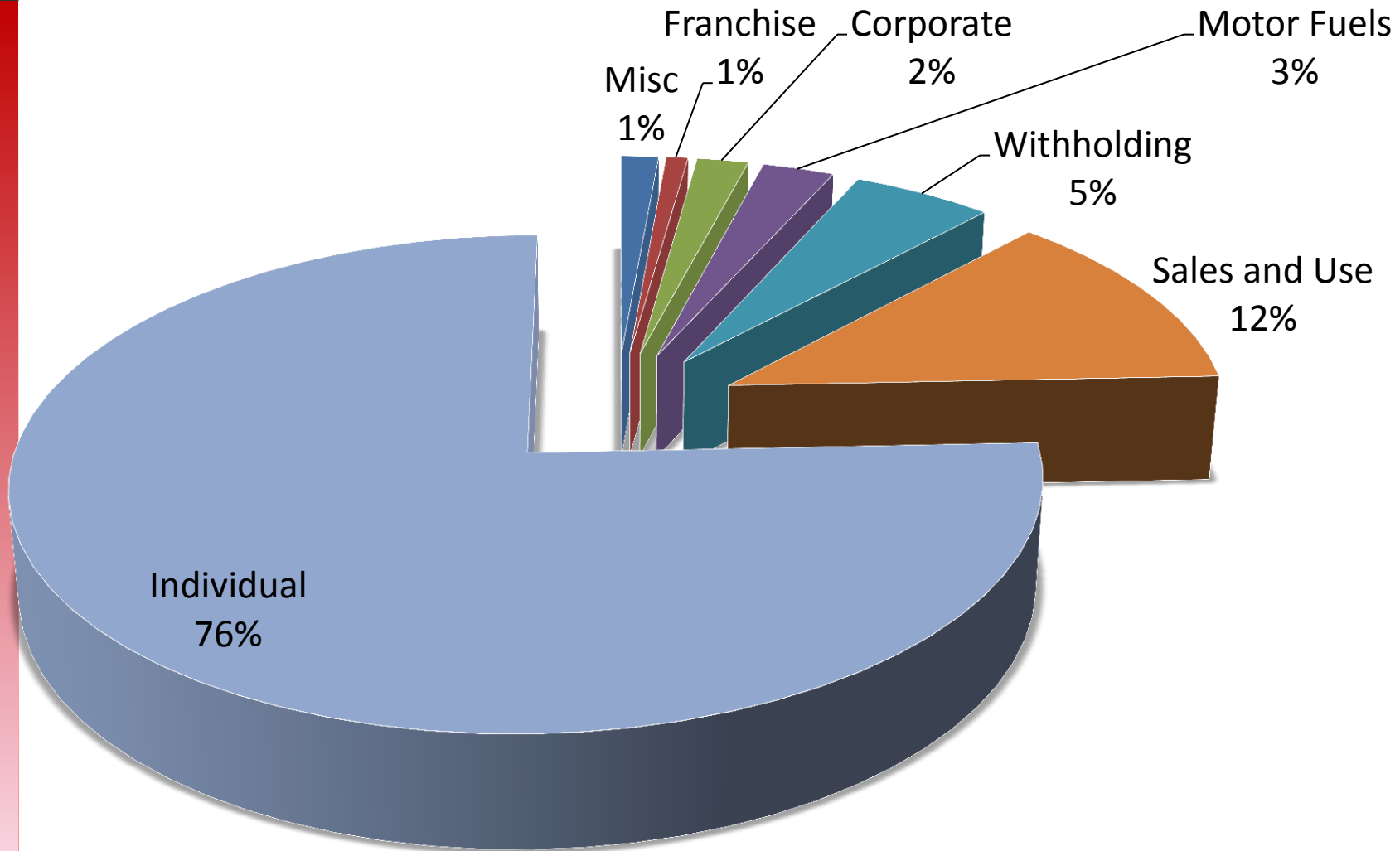


Collection Division Program Stats

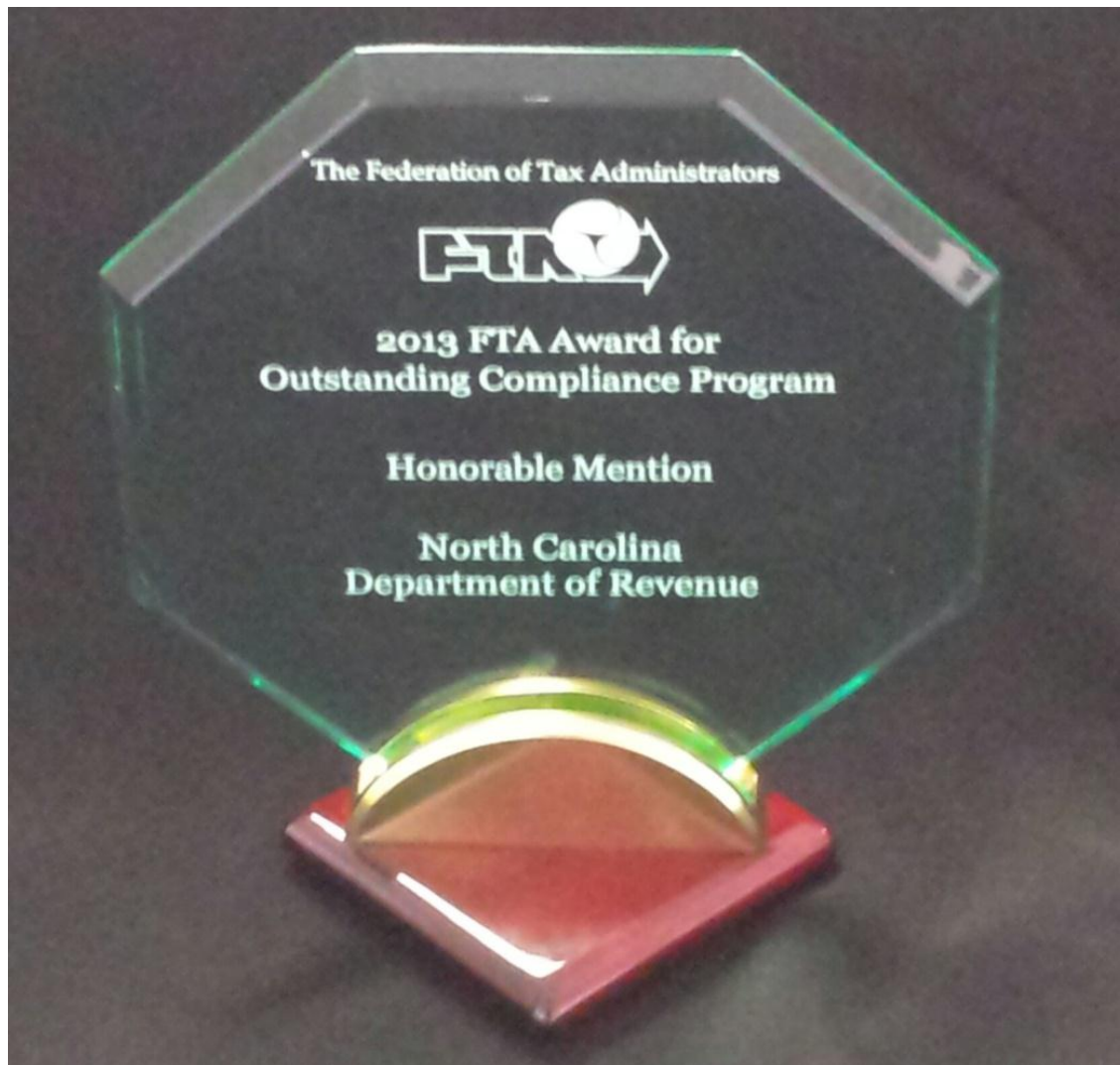
- Total Tax Compliance Collections (FY 12-13)
 - **\$855 Mil**
 - Collection Division's share: **\$493 Mil**
 - Cleared \$1.4 Bil in receivables during the year
- AR's in Active Collection: \$719 Mil (12-31-13)
 - 30% in pay plan
 - 43% under attachment or garnishment
 - 25% Open
 - 2% Other Collection Action
- Collection Division Return on Investment: \$43.12
 - For every \$1 spent on salary and expenses, the Collection Division returned \$43.12
- 60K ACH based payment plans
 - \$196 Mil
- 1,389 Bankruptcy Claims Filed (FY 12-13)
 - \$21 Mil

Accounts Receivables

NCDOR Collections Update



2013 FTA Compliance Award





Recent Projects

NCDOR Collections Update

Initiative	Gross Collection To-Date
IRMF	\$89,775,886
Refund Review and Fraud Prevention	\$13,410,838
Automated Attachment	\$158,643,552
Write-off Reversal Automation	\$31,884,151
Returned Mail Automation	\$31,526,805
Vendor Attachment	\$7,233,412
TOTAL	\$332,474,644

Recent Legislative Initiatives

- Collection Assistance Fee (105-243.1)
 - Enacted July 2001
 - Now funds all collection division salaries and operations
- Lottery ticket retailer compliance checks
- Updates to 105-242
 - Financial Records Institutions Match (2010)
 - E-Levy (2010)
 - Administrative transfer to non-responsive garnishee (2008)



2014 Legislative Agenda

- Allow out-sourcing of in-state cases to private collection agencies
- Increase budget for locator service contracts (More automation for returned mail)
- Subject ABC retail permits to tax compliance checks



Collection Agency Referrals

- Skip tracing
- Call and letter campaigns
- Roughly \$123 Mil in receivables identified for outsourcing as of 12/31/13
 - Out-of-state accounts
 - Accounts deemed uncollectible
 - Small dollar accounts
 - Accounts with no assets identified that are subject to NC levy



Increase Budget for Locator Services

- 105-243.1 limits expenditure to \$150K per year
- Source of funding is Collection Assistance Fee
- FIRM Expenses
 - Bank fees allowed by 105-242 (limited to amounts allowed in 110-139)
 - Outsource tax-match data services
- Recommend increasing cap to \$500K per year



Increase Budget for Locator Services

- Justification:
 - No increase since 2003
 - Current vendor specializes in individuals
 - add vendor for business accounts
 - Used for returned mail project which has resulted in \$31.5 Mil in debt recoveries since 2010
 - Tax match services using same process as NC-DHHS (Child Support Enforcement)
 - Reduce cost for both State and Financial Institutions



Subject ABC retail permits to tax compliance checks

- Would require retailers of alcoholic beverages to be in compliance with NC tax laws as a condition of being permitted
- Many bars, restaurants and other businesses have compliance issues
- Most owe sales or withholding taxes ... taxes collected by the retailer and diverted for other purposes



Statistics

Description	Non-Compliant TP's	Active Registrations	Percentage Non-Compliant	Assessed Liability	Non-Filed Liability
Grocery Stores, Meat Mkts, Fruit/Vegetable Stands, Seafood Mkts, etc.	2,038	5,927	34%	\$8,554,338	\$1,910,576
Restaurants, Cafeterias, Grills, Snack Bars, Lunchrooms, etc.	5,067	15,060	34%	\$29,803,896	\$3,796,362
Other - Food & Beverage Group	556	1,498	37%	\$798,988	\$161,784
Taverns, Beer Parlors, Night Clubs, Billiard Rooms, Lounges, Bars, etc	738	1,903	39%	\$4,453,856	\$127,0352
Hotels, Motels, etc. Resorts	579	3,034	19%	\$2,073,523	\$700,448
Totals	8,978	27,422	33%	\$45,684,601	\$7,839,522



Subject ABC retail permits to tax compliance checks

- Proposed process would be largely automated
- Compliance checks would happen during original permitting of a retailer and each year during renewal
- Retailers not in compliance would be directed back to NCDOR
- The ABC Commission and NCDOR are working on specifics



Charles H. Helms,
Director, Collection Division



PO Box 27431,
Raleigh, NC 27611

919.754.2537

Charlie.helms@dornc.com